Bill Mitchell is one of the leaders of thinking on modern monetary theory. Indeed, he is credited with creating that deeply misleading description. That might tell you much of what you need to know about Bill's contribution to MMT debate. It is, in a nutshell, not always very helpful.

Now I am aware that I will upset many MMT supporters by saying that. And I don't much care if I do. I live in the real world, and in that Bill is an undoubted liability to the necessary rethinking of how government really funds itself, which is what MMT is in essence all about. This is for three reasons.

First, it seems Bill cannot help but be hyper-aggressive. Having been charged with something similar in my time you would think I should be sensitive to this behaviour. I am not. Ultimately, the object of campaigning is to take people with you. Bill takes great pride in arguing with anyone, but it seems most especially with those who are broadly on his own side but who he deems to be of impure thought. I have been criticised for this by Bill. Now he has turned his fire on Peter May at Progressive Pulse.

Second, Bill turns tedium into an art form. Whether on his blog or in person his presentation ability is dire. I frequently give up the will to live long before getting through a third of one of his ramblingly incoherent blog posts. No wonder he can accuse people of not reading all he has written. Even if you were willing to do so and survive the experience you would often be none the wiser, so confused is his presentation of what are essentially simple ideas.

Third, and by far the most important, is the fact that Bill is just so often hopelessly wrong. Let me demonstrate by looking at the argument he has had with Peter May.

Peter wrote, quite reasonably, suggesting that there was a division within MMT on the subject of the merits of imports and exports. As Peter put it:

It is interesting that Fadhel Kaboub, Associate Professor of Economics at Denison University, and president of the Global Institute for Sustainable Prosperity, who is a great Modern Monetary Theory 'MMT' (Charles Adams' summary here) and Job Guarantee Advocate, seems to be rather opposed to the Warren Mosler and Bill Mitchell idea that exports are like a household: such that what you export is going to make you *poorer, simply because they used to be your resources.*

To me *this idea not only jarred because sovereign monetary systems are not like a household, but also because I've always thought that this was a rather simplistic point of view.*

I will leave aside all the invective in Bill's response: it is really not worth wasting time on small mindedness. I will instead concentrate on the argument. Bill has three, as far as I can tell.

The first is that he did not say this. But as Peter points out, *Warren Mosler , with whom he has worked, has.*

Second, Bill says Peter has it wrong because what Bill actually said was:

Exports mean that we have to give something real to foreigners that we could use ourselves — that is obviously an opportunity cost.

Which, as Peter has suggested, looks to be exactly the same thing. And also, inversely means imports are necessarily good things. Now, I know where the claim on this issue comes from: it is from Stephanie Bell (now Kelton), at page 22 *here. And it is deeply conditional as she described it, and probably practically worthless as a result, in my opinion. But Bill drops the conditions, as I note below, and that is just wrong.*

And third? Well, Bill says Peter is wrong because he has not read in greater depth, and then provides reams of links, none of which get round the fact that what Bill has said here is fundamentally economically mistaken. Why do I say that? I have, as usual, good reason.

First of all, this is an absurd abstraction from reality, which is about as bad as the worst of neoclassical economics. What Bill is doing is to assume that we barter. Quite extraordinarily, it would appear that he thinks that we trade without requirement for payment to be made in settlement. For someone promoting monetary theory, this is staggering.

Secondly, when the whole of modern monetary theory is, in effect, based upon the principles of double entry bookkeeping, Bill is doing single entry accounting here. He is assuming that if we have more goods (because we import) or fewer goods (because we export) their well-being is simply indicated by this trading in goods alone, when in fact there will always be another side to the entry in each of these cases, which is the resulting promise to pay. A promise to pay is, of course, the whole basis of fiat currency, and so modern monetary theory, but somehow or other Bill seems to have entirely forgotten about this.

Thirdly, if trade is necessarily matched by a promise to pay then, with the sole exception of a country that issues a reserve currency, the net value of the promises to *pay that are outstanding in international markets will have a bearing upon the way in which those markets react to the issue of further such promises. If it is perceived that the country does not have the ability to fulfil its promise, then inevitably the value of the promises made will be reduced, and the currency will be deflated as a consequence. It is then simply not possible to argue that we can appraise the net benefit of the transaction purely on the basis of the physical movement of goods, as Bill very obviously does when making these two statements:*

Exports mean that we have to give something real to foreigners that we could use ourselves — that is obviously an opportunity cost.

Imports represent foreigners giving us something real that they could use themselves but which we benefit from having. The opportunity cost is all theirs!

This is simply wrong. It is not true that we are outright losers from exports, and it is unambiguously not true that we are the only winners from imports, at entire cost of those who export to us. For Bill to make such absurd claims discredits MMT. It also simply ignores the fact that money does have an exchange value, which is embarressing. I would add that Bill cannot get round this by mentioning exchange controls. They might work for speculative flows. We are not discussing them here.

What this claim also shows is that Bill cannot do double entry; does not realise money has a role in trade; does not appreciate the value of a promise made in the case of valuing a fiat currency internationally and does not also appreciate the importance of time in all such matters, since the whole nature of trade is that there is always a time dimension to settlement, which Bill again ignores.

The underpinning of Bill's unwarranted attack on Peter May was, then, wholly flawed. And the unfortunate result is that my belief that Bill Mitchell may be the single biggest impediment to the use of MMT is reinforced. I wish that was not the case. But it has to be said, because this sort of thing brings MMT into disrepute, and rightly so. And all who have an interest in the subject have a duty to make that clear. MMT is based on what is, not abstract reality. And that means there is no time for this sort of stuff.